

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter increased 2 cents to \$1.1450, Grade A increased 3 cents to \$1.0700, and Grade B increased 4 cents to \$1.0700. Also at the CME, barrel cheese increased 5 cents to \$1.3600 and 40# blocks are unchanged at \$1.4300.

Milk production in the 20 major states during December totaled 11.1 billion pounds, up 0.9% from production in these same states in December 1996. Production per cow averaged 1,440 pounds for December, 22 pounds (1.6%) above December 1996. The number of cows on farms was 7.72 million head, 46,000 head (0.6%) below December 1996 and 2,000 head below November 1997. The estimated U.S. milk production during calendar year 1997 totals 156.7 billion pounds, 1.5% more than 1996.

In October 1997, mailbox milk prices reported for selected Federal milk orders averaged \$13.81 per cwt., \$1.08 more than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$13.77, up \$1.03; Southeast, \$14.98, up \$1.42; Midwest, \$13.85, up \$.98; and West, \$13.16, up \$1.18. Compared to October 1996, mailbox milk prices decreased \$1.98 per cwt. on the average. The average minimum blend price in October 1997 was \$2.05 below the price in the previous year.

During November, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.5% above the previous year and 1.4% above October 1997 on an adjusted daily average basis. Sales of whole milk items were 0.1% above the previous year with sales of lowfat and skim milk items up 0.4%. Year to date percentage changes (eleven months) for total fluid products were equal to the 1996 comparable period.

Milk production across the country is mixed, responding from the effects of adverse weather conditions over the past 7 - 14 days. In New Mexico, following the blizzard of a few weeks ago, producers continue to feel the affect of the bad weather. Late last week in much of northern New York and New

England an ice storm hit the area causing power outages, dramatically disrupting milking and milk pickup schedules, and impacting milk processing facilities. By midweek, many communities, businesses, and firms were still without electricity. Many milk handlers feel that the long term effects of the storm may be just as severe as the immediate impact. Loss of milk and health concerns of the cows may be very costly.

Changes are also occurring in the dry dairy product markets. Nonfat dry milk prices are lower throughout most regions of the country. Production schedules are not as active as during the past few weeks, but stocks are building at most locations. Western producers continue to offer powder to CCC, especially powder produced prior to January 1, although some post January 1 production is starting to clear to the government. Whey markets are weakening very fast. Prices are sharply lower in most regions. Offerings are available from most manufacturers and resellers. In most areas, buying interest has slowed as spot and other buyers have temporarily withdrawn from the market, although in the West, lower prices are succeeding in stimulating both domestic and overseas sales.

During the week of January 12 - 16, CCC purchased 3,765,684 pounds of Western NDM under the price support program. The majority of the NDM purchased this week was powder produced prior to January 1.

****SPECIAL THIS ISSUE****

DAIRY GRAPHS (PAGES 2 & 14)
ESTIMATED U.S. SUPPLY AND USE PROJECTIONS FOR MILK (PAGE 7)
MINIMUM FEDERAL ORDER AND ANNOUNCED COOP CLASS I PRICES (PAGE 8)
1997 MONTHLY AVERAGES AND SUMMARY (PAGES 9-10)
OCTOBER MAILBOX PRICES (PAGE 11)
NOVEMBER MILK SALES HIGHLIGHTS (PAGE 12)
DECEMBER AND FOURTH QUARTER MILK PRODUCTION (PAGE 13)

BUTTER MARKETS**CHICAGO WHOLESALE**

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE	JANUARY 13	JANUARY 15	JANUARY 16
AA	\$1.1150 - 1.1250	\$1.1150 - 1.1250	\$1.1150 - 1.1250
A	\$1.0300 - 1.0400	\$1.0300 - 1.0400	\$1.0300 - 1.0400

() Change from previous price.

BUTTER HIGHLIGHTS: In cash trading at the Chicago Mercantile Exchange, prices of all grades of bulk butter increased. Churning schedules active. Demand for available cream is quite aggressive. Most producers are busy filling orders and building as much inventory as they can. Buying interest is fairly good. There is evidence that some buyers are storing butter for future use. Some Western producers have been able to complete filling their foreign commitments while others continue to work slowly on them. Minimal volumes of butter continue to be committed to export.

CHICAGO MERCANTILE EXCHANGE**BUTTER TRANSACTIONS ON FRIDAY, JANUARY 16, 1998**

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	+.0200	\$1.1450 : BID 01/16/98
A	+.0300	\$1.0700 : BID 01/16/98
B	+.0400	\$1.0700 : BID 01/16/98

SALES: 7 CARS GRADE AA: 1 @ \$1.1200, 1 @ \$1.1350, 2 @ \$1.1325, 1 @ \$1.1425, 1 @ \$1.1450, 1 @ \$1.1425

BIDS UNFILLED: 14 CARS GRADE AA: 1 @ \$0.9000, 1 @ \$0.9500, 1 @ \$1.0000, 1 @ \$1.0500, 5 @ \$1.0900, 1 @ \$1.1000, 1 @ \$1.1200, 1 @ \$1.1300, 1 @ \$1.1425, 1 @ \$1.1450 (LST)
8 CARS GRADE A: 1 @ \$0.8500, 1 @ \$0.9100, 1 @ \$0.9800, 5 @ \$1.0700 (LST)
2 CARS GRADE B: 1 @ \$0.9700, 1 @ \$1.0700 (LST)

OFFERS UNCOVERED: NONE

CHEESE MARKETS**WISCONSIN ASSEMBLY POINTS**

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

CHEDDAR STYLES	JANUARY 12 - 16, 1998
BARRELS*	\$1.3100 - 1.3350 (NOMINAL) (.0200) (.0250)
40# BLOCKS	\$1.4300 - 1.4600 (NOMINAL)

() Change from previous week. * If steel, barrel returned.

CHEESE HIGHLIGHTS: The cheese market is irregular, firm on barrels, steady to weak on blocks. At the Chicago Mercantile Exchange, 40# blocks were steady at \$1.4300 in heavy trading and barrels increased 5 cents to \$1.3600 in light trading. Current orders are irregular, ranging from good to disappointing. Some spot discounting is occurring, mainly on cheddar blocks. Supplies are often in a much tighter position for non-cheddar makers. Eastern production has been hampered by weather related problems. CCC cheese invitations are found on page 15 of this report.

CHEESE TRANSACTIONS ON THURSDAY, JANUARY 15, 1998

(CARLOAD UNIT = 40,000-44,000 LBS.)

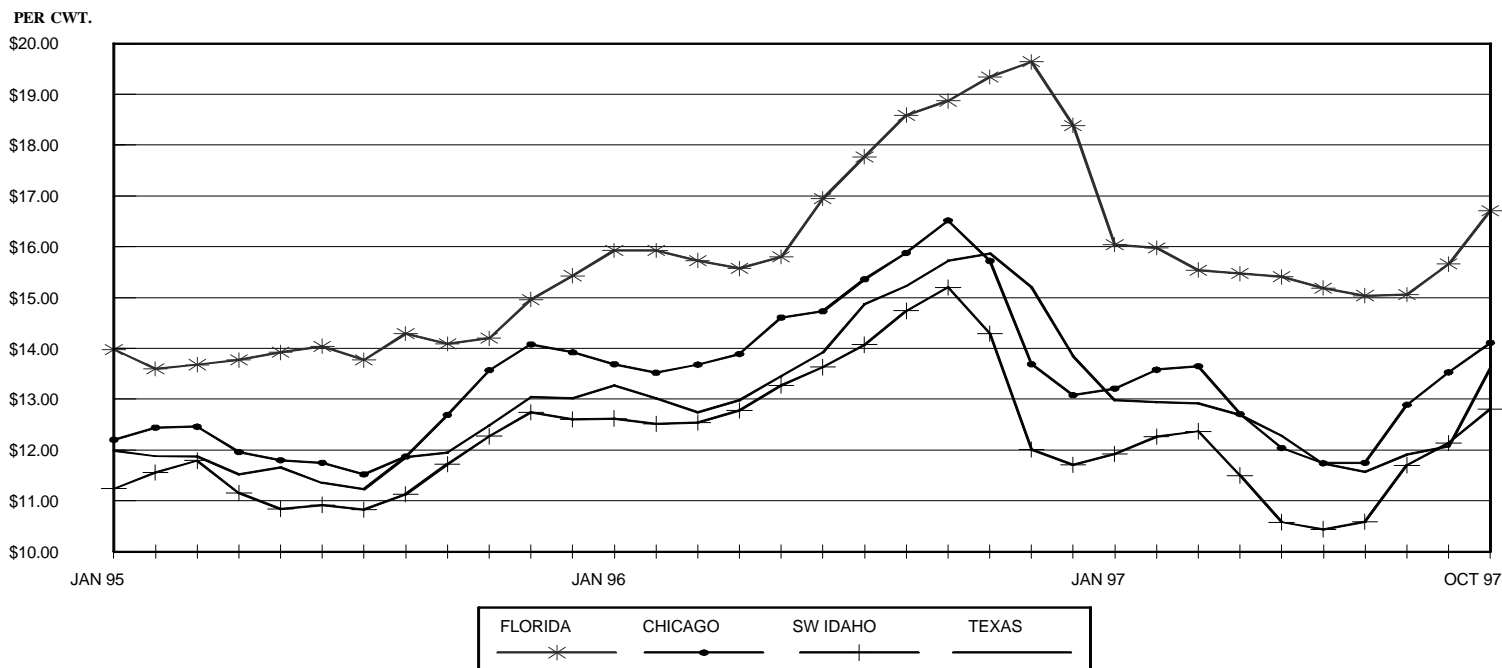
CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	+.0500	\$1.3600 : BID 01/15/98
40# BLOCKS	N.C.	\$1.4300 : SALE 01/15/98

SALES: 6 CARS BARRELS: 3 @ \$1.3250, 3 @ \$1.3350
39 CARS 40# BLOCKS: 36 @ \$1.4275, 3 @ \$1.4300 (LST)

BIDS UNFILLED: 4 CARS BARRELS 3 @ \$1.3550, 1 @ \$1.3600 (LST)

OFFERS UNCOVERED: NONE

MAILBOX PRICES-SELECTED ORDERS



PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Prices are unchanged and the market tone is still somewhat unsettled. Production levels have slowed since the holidays when milk and cream were in abundant supply. Since then, supplies of both have tightened and demand for cream has increased. Quite a bit of excess cream is clearing to Midwestern churns. Local churning activity is also heavier and most producers are busy filling orders and building as much inventory as they can. Orders for both bulk and prints are holding up surprisingly well. Many buyers are trying to replenish their inventories and there is some evidence of storing bulk for later use. Retail sales are just fair as prices have not fallen at the same pace as prices at the CME. Food service orders are about steady.

WHOLESALE PRICES: MIN 25 BOXES

DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	: 1.3350-1.5825
1 LB. PRINTS	: 1.2500-1.4325
CHIPS/PATTIES	: 1.3125-1.4925
REDDIES	: 1.3875-1.5825
CONTINENTALS	: 1.4675-1.6425

CENTRAL

Print butter prices are unchanged, although the market tone remains unsettled. Traders and handlers have mixed opinions about current market conditions, but in most instances, they are comfortable with stable prices versus fluctuating prices. Churning schedules are active, taking advantage of cream supplies from local and out of area sources. Stocks of bulk and print butter are generally in balance with demand. Some handlers are reaching to Western areas of the country and are procuring additional bulk butter for future use. Retail and food service orders are fairly good. Some scattered retail feature activity is occurring, stimulating good butter sales. Food service orders are good, stimulated by favorable winter weather conditions, thus away from home eating patterns are improved.

FOB CENTRAL STATES PLANTS: MIN 20,000 POUNDS, \$ PER POUND

1/4 LB. PRINTS	: 1.2250-1.6325
1 LB. PRINTS	: 1.1900-1.3525
CHIPS/PATTIES	: 1.2150-1.4250
REDDIES	: 1.3000-1.5350
CONTINENTALS	: 1.4550-1.6450

WEST

Prices are holding steady for Western print butter. Bulk sales activity is excellent. Most buyers would like to see prices move closer to a dollar, but they are beginning to think that it is not likely to happen as time goes on. Therefore, most are ordering some extra loads of butter for current needs and storage. All levels of the industry are beginning to store some extra butter for future needs. Some plants have been able to complete filling their foreign commitments and others continue to work slowly on it. Demand for cream from churns is excellent. Production is a bit higher.

WHOLESALE SELLING PRICES: DELIVERED WESTERN CITIES
150 - 1000 POUNDS, DOLLARS PER POUND

1/4 LB. PRINTS	: 1.4075-1.4750
1 LB. PRINTS	: 1.3375-1.3975
PATTIES	: 1.3800-1.5450
REDDIES	: 1.5050-1.5225

FOB CALIFORNIA PLANTS - GRADE AA
100 CASES AND UP, DOLLARS PER POUND

1/4 LB. PRINTS	: 1.1225-1.1625
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
	:	:
01/12/98	7,287	: 104,227
01/01/98	5,399	: 102,728
CHANGE	+1,888	: + 1,499
% CHANGE	+ 35	: + 1

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS			640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.		MN/WI	OTH STATES	U.S.
JANUARY 9	1,4343	1,4071	1,4147	1,4370		1,3033	1,2646	1,2814
	1,411,383	4,274,364	5,765,214	1,505,404		4,158,746	5,357,433	9,516,179

Further data may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Process prices are mostly two cents higher with natural items unchanged. The market tone is unsettled. Many contacts have expressed surprise that blocks have held and barrels have increased at recent CME trading sessions. Most contacts thought that blocks would have dropped to narrow the range between blocks and barrels. Many buyers still think they will and their orders reflect those opinions. Few buyers are purchasing beyond weekly or immediate needs. Production levels in the East are lighter. Last week's ice storm in the northern parts of New York and New England has affected milk pick ups and processing. Some cheese plants have been down for several days and, as of early this week, they are slowly coming back on line. Demand for cheese is holding up quite well. Super Bowl weekend has become a major "snack/party weekend" and cheese sales are good. Retail sales are fair to good, but orders for party trays are improving. Food service orders are also fair to good.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4550-1.9125
Cheddar Single Daisies	:	1.4550-1.9175
Cheddar 40# Block	:	1.5675-1.7275
Process 5# Loaf	:	1.5200-1.6475
Process 5# Sliced	:	1.5400-1.7050
Muenster	:	1.6100-2.0125
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is unsettled with a weak undertone. At the Chicago Mercantile Exchange on January 8, the price of blocks was unchanged at \$1.4300 and barrels increased 2 cents to \$1.3100. Efforts to narrow the block/barrel spread have thus far been accomplished by increasing the barrel price rather than by lowering the block price. The wide spread (still 12 cents) has reduced barrel production in favor of other products. Current orders are generally good, though next week is the big question mark as Superbowl orders need to leave the plant this week. Process movement is generally steady to slower. Improved current barrel interest is noted and offerings are limited. Some barrel demand is going unsatisfied. Western block offerings have increased and reports indicate prices below \$1.4300 delivered to the Midwest are available to volume buyers. Milk production had been trending slightly higher though recent colder temperatures may have, at least temporarily, reduced intakes. Cheese yields remain good but off from peak levels.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.4975-1.6450
Brick And/Or Muenster 5#	:	1.7100-1.8875
Cheddar 40# Block	:	1.6800-1.9150
Monterey Jack 10#	:	1.8800-1.9150
Blue 5#	:	2.0325-2.2500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7900-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2800-2.4850

WEST

Prices for process cheese increased again while natural and Swiss are holding steady. Sales activity has picked up again after the holiday doldrums. Most buyers are buying hand to mouth, but they are all back in the market because stocks are down to nothing at most users' warehouses. Producer stocks did increase over the holidays and some have had to go to outside storage. Swiss sales have returned to good levels. Mozzarella demand is good with cheese moving across the country to fill needs. Production is a bit higher than anticipated.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5000-1.7525
Cheddar 40# Block	:	1.6125-1.7300
Cheddar 10# Cuts	:	1.7500-1.9525
Monterey Jack 10#	:	1.7150-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

FOREIGN TYPE

Prices and the market tone are unchanged. Demand for foreign type and imported cheese has slowed along typical seasonal patterns. Importers are planning or have planned strategies for the coming year and are assessing current positions. Recent strength of the U.S. dollar is making imports/orders a little more attractive. Stocks of foreign type cheese are quite well balanced with needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.7650-2.3750
Gorgonzola	: 3.2400-5.9400	: 2.4300-2.4950
Parmesan (Italy)	: TFEWR	: 3.1750-3.2125
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4375-1.9450
Romano (Cows Milk)	: -0-	: 2.9625-3.2150
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Northeastern Milk Market Administrators announce December 1997 uniform (blend) prices: Federal Order (F.O.) 1 is \$14.06; F.O. 2, \$13.95; F.O. 4, \$14.41; F.O. 36, \$14.12; and Western NY Milk Market Area, \$13.91. The big story this week is the ice storm that hit much of northern New York and New England late last week. By midweek, many communities, businesses, and farms were still without electricity. Milking schedules and farm pick ups have been dramatically disrupted. Considerable volumes of milk have been lost/dumped, but exact volumes cannot be determined at this time. Contacts think that the long term effects of this storm may be just as severe as the immediate impact. Loss of milk and health concerns of the cows may be very costly and could accelerate the rate at which dairy farmers leave the business. Further south, the milk flow is mostly steady to higher. In Florida, milk production is increasing, but lagging year ago levels. Florida handlers imported 43 loads of milk this week to meet the surprisingly good bottled milk demand. Elsewhere in the Southeast, predictions of a storm are causing some panic buying of milk at the retail level. Surplus milk volumes are lighter and some plants have reduced operating schedules. Operations that can be taking milk from plants that were shut down by the ice storm. By midweek, these extra volumes looking for a home were in closer balance. In the Southeast, manufacturing plants are running mostly on weekends. The condensed skim marker is mixed. Prices are in a very wide range and demand is slowing now that NDM prices are often below wet solids' prices. The fluid cream market is surprisingly strong this week. Spot prices are steady to higher on the low end of the ranges. Availability was and is being affected by the ice storm. Demand is good and local supplies are quite well balanced. There is demand from butter makers in the Midwest, but fewer loads moved out of region this week. Locally, butter output is moderate to heavy. Cream cheese production is holding up at moderate to heavy levels. Ice cream output is about steady at most operations.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	1.3650 - 1.5080
Delivered Equivalent Atlanta	-	1.3520 - 1.5838 M 1.3728 - 1.4560
F.O.B. Producing Plants: Upper Midwest	-	1.4040 - 1.4872*

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	1.0000 - 1.2500
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* Last week's cream price should have been \$1.4040-1.4560

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
JANUARY 9 - 15, 1998	0
PREVIOUS WEEK	2
COMPARABLE WEEK IN 1997	0

Class I demand is typically slower, but still moderate after the strong sales the previous week. Demand for milk is mostly back near pre holiday levels with the exception of a few holiday items such as egg nog. Production of dips and sour cream remains good for anticipated Superbowl activities. Manufacturing schedules of cheese remain on levels fairly comparable to those before the holiday as out of area milk supplies have declined. Limited volumes of manufacturing milk were reported moving to manufacturing plants at prices \$0.75 to \$1.50 over

class delivered. Besides the milk shipments reported, 12 loads of Wisconsin milk are "direct shipped" and pooled under a Southern Federal Order. Another 14 loads of Wisconsin milk was shipped to Ohio and 6 loads over to Michigan. Cream demand remains good with prices generally steady. In a special deal allowed by USDA to assist areas without electricity, at least one upper Midwestern operation custom processed Canadian milk with all of the resulting product to be returned to Canada. All volumes handled were required to remain separate throughout the manufacturing process. Much colder temperatures later followed by snow and mixed precipitation helped cause milk intakes that had been on a slow but steady increase to generally decline, at least temporarily.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 8 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 38.00	\$ 28.00- 33.00
REPLACEMENT HEIFER CALVES	\$100.00-155.00	\$ 90.00-150.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 8 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.00- 40.00	\$ 27.00- 33.75

W E S T

Dairy producers in New Mexico are still feeling the effects of the recent blizzard that hit the southwestern part of the state several weeks ago. Production effects are being directly affected by the lack of milking and injuries to some cows. While death losses of cows were not as severe as first feared, culling rates are higher than normal due to storm related injuries. Buildings and other dairy structures were damaged in those areas receiving heavy snowfall. Federal aid is being sought, but the plight of the New Mexico milk producers is not as publicized as those of the farmers affected by the recent ice storm in the Northeast region of the United States. Melting snow is causing havoc in feedlots. Arizona milk output is being hampered by wet weather conditions. Feedlot conditions are often worse than in recent weeks and related problems are being noticed. Milk production in California continues to outpace year ago levels. Surplus milk of recent weeks is now manageable although most plants are pushing production levels higher and are at or nearing capacity levels. Balancing plants still have some extra capacity. The rains in the state have not hit the major dairy areas. Cream demand is still good and clearing to butter churns. Cream prices remain in the upper 1.20 to mid 1.30's range. The ice and snow storm that hit the Pacific Northwest over the past weekend did not have a major impact on milk producing areas. Processing plants and transportation routes suffered the brunt of the problems. The region west of the mountains did not see much impact from the weather. The east side is being affected much more severely by the wet and muddy conditions. Cows are being stressed and herd health issues are becoming a real problem. Producers are very concerned about the latest upturn in grain market prices caused by the reduction in the stocks' estimates. Conditions are similar over the northern Mountain States region. The snow that was on the ground has been melted by warm temperatures and rain. Feed lots are muddy. Cell counts have not moved up much yet, but if these conditions prevail for any length of time, herd health will suffer. Most manufacturing plants are running at higher rates than they had projected for this time of year. Not all are pleased with this turn of events. Stock levels of products are building.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 01/15/98 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are lower as the market begins to respond to the support price change and the declining Western market. The market tone is steady. Demand remains light. Offerings are available from most producers and resellers. Production levels are lighter as the holiday surplus milk channels back into the fluid market. Activity is now minimal at many plants due to manufacturing milk constraints.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0300 - 1.0825 MOSTLY: 1.0400 - 1.0525

DRY BUTTERMILK - CENTRAL

Prices are lower on the bottom end of the range. The market tone continues to be weak. Trading activity is limited. Producers have lowered prices to remain competitive with the Western market. Production levels are moderate to light. Stocks are adequate for the current, fair demand.

BUTTERMILK: .9200 - .9600

DRY WHEY - CENTRAL

Prices are lower as the market continues to lose strength. Demand is light after last week's drop in prices. Sales activity is slow. The recent increase in manufacturing milk, coupled with the slower demand, has allowed producers to rebuild stocks. Offerings are available from most manufacturers and resellers. Some buyers believe that prices may reach the low 20's before settling. As a result, most purchases are only for small volumes to fill immediate needs. With more offers reported than actual spot sales, this market has yet to be fully tested.

NONHYGROSCOPIC: .2700 - .3275 MOSTLY: .2900 - .3000

ANIMAL FEED WHEY - CENTRAL

Prices are lower for all feed types except delactose. All prices are nominal. Demand is less aggressive and sales have dropped. Many feed buyers are waiting for lower prices to appear in response to the decline of the edible whey market. Resellers report business is slower. The standard market is steady and trading activity is mainly limited to contracts. Delactose prices are unchanged and buying interest remains strong. Producer stocks are moderate to tight. Demand for roller ground is fair.

MILK REPLACER: .2600 - .2850
STANDARD: .2400 - .2800
ROLLER GROUND: .3000 - .3250
DELACTOSE (Min. 20% protein): .3400 - .3675

LACTOSE - CENTRAL AND WEST

Prices are unchanged and the market remains fairly active. Spot sales are often higher than the contract prices. Demand from the edible and animal feed channels remains good. A few producers continue to turn orders away because they do not have sufficient stocks for extra sales. However, overall supply and demand seem to be balanced. Many in the industry are closely following the financial distress in Asia and are wondering how, or if, these conditions will affect the domestic market. Some domestic exporters state that a few customers have delayed shipments and are temporarily cutting back on contract volumes until the economy settles.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1800 - .2600 MOSTLY: .2100 - .2250

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged and the market tone is steady. Supply and demand are reported to be in balance. Buying interest is good and offerings are available from most producers. The majority of sales are within the range of the mostly and there have not been any discounts reported. Production levels are moderate with many plants running near 50% capacity. Stocks are adequate for needs.

EXTRA GRADE 34% PROTEIN: .5775 - .6275 MOSTLY: .6050 - .6100

NONFAT DRY MILK - WEST

Nonfat dry milk prices are lower for both series and the market tone remains weak. Demand is light to fair and sizable quantities of NDM are clearing to the support program. The majority of the offerings are to take advantage of the higher support price for powder produced before January 1. Some offerings have occurred at the new support price of \$1.0280. Producers are bagging current NDM for future offerings. Medium heat powder continues to be made for DEIP orders, but some brokers are indicating they want to delay DEIP orders. Whether the delays are because of money situations or over commitments are being debated. Production remains strong in most plants in the region. High heat production is often higher where dryer time is available. Producers' stocks continue to be excessive and NDM is available from most sources. During the period of January 1 - 9, Western producers offered over 2.5 million pounds of NDM to the CCC under the price support program.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0200 - 1.0550 MOSTLY: 1.0250 - 1.0350

HIGH HEAT: 1.0500 - 1.0650

DRY BUTTERMILK - WEST

Prices are higher on the bottom end of the range, but are otherwise holding steady this week. The market tone has improved as more product has cleared in recent weeks. Many buyers have taken advantage of the lower prices to make purchases for later needs. Sales of condensed buttermilk have improved following the drop in the demand around the holidays. Churning schedules are steady to higher and there is a good call for cream from butter producers. Buttermilk stocks have improved but are still higher than current needs.

BUTTERMILK: .8500 - .9200 MOSTLY: .8700 - .9000

DRY WHEY - WEST

Prices continue to move sharply lower for Western whey powder. The price declines are succeeding in stimulating additional sales activity both overseas and domestically. Old export orders are being filled and new sales are taking place. Much concern is being expressed about the monetary situation in the Far East. Sellers are exercising extreme caution concerning payment strategies. Competition for these markets from Canada, Australia, and the EU is not all that strong at this time. Domestic sales are good because many buyers have their stock levels down to extremely minimal levels due to the recent very high prices. These firms are now back in the market and an extra load or two is of little concern to them at this time. Stocks did build faster for most organizations than they had anticipated over the end of the year holiday season. This occurred because of both slower demand and heavier production. Output remains above projections at a number of locations.

NONHYGROSCOPIC: .2150 - .2800 MOSTLY: .2400 - .2600

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended January 09, on powder sales of 7,445,026 pounds f.o.b. California manufacturing plants was \$1.0393 per pound. This compares to 11,616,911 pounds at 1.0363 for the previous week ending January 09, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST and SOUTHEAST

Prices are mostly unchanged and the market tone remains weak. Production levels are lighter this week. Milk is again being shipped to Florida handlers and less milk is being processed at the shipping plant. Improved Class I demand plus the disruptions caused by the wide spread loss of electricity in the areas plagued by last week's ice storm have reduced the volumes and quality of milk received at some butter/powder plants. Plant stocks are building, but at a slower rate. The attractive prices for large-volume purchases reported last week did clear sizeable volumes and some producers are no longer offering powder at the low end of the range. Others continue to offer and clear NDM at the \$1.03 level. Demand is slow to fair, occasionally improved as more condensed skim users and cheese makers are again using NDM.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST: 1.0300 - 1.1200 MOSTLY 1.0400 - 1.0500
DELVD SOUTHEAST: 1.0600 - 1.0850

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged to slightly higher. The market tone is steady in the East, relatively weak in most other parts of the country. Eastern production is down this week as the improved demand for cream is slowing local churning activity. Most producers have little or no powder on hand to trade. Those that do have powder often only have a load or two. However, reports indicate that dry buttermilk is readily available in the West and Midwest. Demand is slow to fair.

F.O.B. NORTHEAST: .9500 - .9800
DELVD SOUTHEAST: .9200 - .9750

DRY WHOLE MILK - NATIONAL

Prices are steady to higher within the range. The market tone is unchanged. Production levels are steady to lighter as surplus milk supplies tighten in some areas of the country. Plant stocks remain closely balanced and demand is steady. Some small-volume DEIP bids have been accepted this week.

F.O.B. PRODUCING PLANT: 1.2500 - 1.3500

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH JANUARY 9, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	79,960 MT (176,279,625 LBS)
CHANGE	--	51 MT (112,435 LBS)
WHOLE MILK POWDER	--	6,064 MT (13,368,694 LBS)
CHANGE	--	186 MT (410,056 LBS)
CHEESE	--	2,040 MT (4,497,384 LBS)
BUTTERFAT	--	15,324 MT (33,783,290 LBS)
CHANGE	--	18 MT (39,683 LBS)

Allocations for the DEIP year beginning July 1, 1997, are:
Nonfat dry milk - 92,217 MT; Whole Milk Powder - 7,487 MT;
Cheese - 3,510 MT; Butterfat - 34,232 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are sharply lower and the market tone is very weak. Many contacts have commented about how fast prices have dropped and the large price changes from one week to the next. Spot and other buyers have temporarily withdrawn from the market and prices are dramatically lower. Production levels are mixed. Most producers report steady to heavier output. However, cheese plants in northern New York and New England did lose processing time (up to a week) because of the ice storm. Spot demand is, at best, slow. Therefore, producer stocks are accumulating faster than sales can clear. Export interest is occasionally noted. Contacts report that European whey prices are increasing which could/may help "put a floor" under this price drop. Where that "floor" is, is uncertain at this point.

F.O.B. NORTHEAST:	EXTRA GRADE	.2600 - .3150
	USPH GRADE A	.2800 - .3400
DELVD SOUTHEAST:		.3000 - .3450

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. However, offerings of animal feed and edible whey to animal feed makers is increasing. Buyers are taking contracted volumes, but limiting any additional purchases as dry whey prices are dropping so dramatically. Use in animal feed is steady to lighter.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are often improved, but supplies are not as heavy as expected in some locales. Producers are busily rebuilding inventories. Current demand ranges from seasonally slow to fair. The Kansas City Commodity office announced the issuance of EVD-1, invitation 410, inviting competitive offers to sell to CCC 1,762,560 pounds of evaporated milk for shipment in March 1998.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.50 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets remain basically steady at unchanged prices. Most handlers of rennet and acid are comfortable with supplies at this time. Contracts for first quarter 1998 have been finalized with second quarter needs well under control. Beyond that point, not much activity is occurring at this time. Rennet supplies are readily available with acid in balance with needs. Overall buyer interest is seasonally steady with spot buyer interest light.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.1700 - 2.2000
ACID:	2.0000 - 2.1500

ESTIMATED U.S. SUPPLY AND USE PROJECTIONS FOR MILK*

Milk prices in December exceeded expectations and current prospects suggest that prices in early 1998 will be higher than previously anticipated. The price forecasts for 1997/98 are increased, with most of the increase for the early months of 1998. The supply and use estimates for 1997/98 are little changed from last month.

U.S. MILK SUPPLY AND USE

U.S. MILK SUPPLY AND USE						
Item	1995/96	1996/97 Estimate <u>1/</u>		1997/98 Projection <u>1/</u>		
	<u>1/</u>	December	January	December	January	
SUPPLY	BILLION POUNDS					
BEGINNING COMMERCIAL STOCKS <u>2/ 23/</u>	4.6	4.9	4.9	5.8	5.8	
PRODUCTION	154.1	156.5	156.5	157.1	157.0	
FARM USE	1.5	1.4	1.4	1.3	1.3	
MARKETINGS	152.6	155.1	155.1	155.8	155.7	
IMPORTS <u>2/</u>	2.8	2.8	2.8	3.3	3.3	
TOTAL COMMERCIAL SUPPLY <u>2/</u>	160.0	162.8	162.8	164.8	164.8	
USE						
COMMERCIAL USE <u>2/</u>	154.9	156.2	156.2	158.2	158.1	
ENDING COMMERCIAL STOCKS <u>2/</u>	4.9	5.8	5.8	5.5	5.5	
CCC NET REMOVALS:						
MILKFAT BASIS <u>3/</u>	0.1	0.8	0.8	1.1	1.2	
SKIM SOLIDS BASIS <u>3/</u>	1.1	2.7	2.7	3.2	3.3	
DOLLARS PER CWT.						
PRICES RECEIVED BY FARMERS <u>4/</u>						
BASIC FORMULA (BFP)	13.50	11.88	11.88	11.60-12.20	11.85-12.35	
ALL MILK <u>5/</u>	14.49	13.60	13.60	12.85-13.45	13.15-13.65	
MILLION POUNDS						
CCC PRODUCT NET REMOVALS <u>3/</u>						
BUTTER	1	28	28	40	45	
CHEESE	5	10	10	7	7	
NONFAT DRY MILK	84	222	222	260	265	
	QUARTERLY <u>6/</u>			ANNUAL <u>6/</u>		
	1997 IV	1998 I	1998 II	1997	1998	
	BILLION POUNDS					
	MILK PRODUCTION	38.3	39.2	40.8	156.8	157.1
	DOLLARS PER CWT.					
ALL MILK PRICE <u>4/ 5/</u>	14.30-14.40	13.75-14.15	12.20-12.90	13.30-13.40	12.95-13.75	
BASIC FORMULA PRICE <u>4/</u>	13.03	12.20-12.60	10.85-11.55	12.05	11.75-12.55	

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes products exported under Dairy Export Incentive Program. 4/ Projections indicate a range of the average for the quarter or year. 5/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 6/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: James E. Nix, Chairman, WAOB; Arthur Coffing, FAS; Robert R. Miller, AMS; and James Miller, ERS.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-334, World Agricultural Outlook Board, USDA, January 13, 1998.

MINIMUM FEDERAL ORDER AND ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES 1/												
CITY	JAN 1996			JAN 1997			DEC 1997			JAN 1998		
	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference
	Dollars Per Hundredweight											
Atlanta, GA	15.95	16.30	0.35	14.69	16.70	2.01	15.91	17.11	1.20	16.04	17.24	1.20
Baltimore, MD	15.90	16.65	0.75	14.64	15.69	1.05	15.86	17.31	1.45	15.99	17.44	1.45
Boston, MA	16.11	16.84	0.73	14.85	15.98	1.13	16.07	16.70	0.63	16.20*	16.83	0.63
Carbondale, IL	14.88	15.99	1.11	13.62	16.04	2.42	14.84	16.83	1.99	14.97	16.83	1.86
Charlotte, NC	15.95	16.60	0.65	14.69	17.21	2.52	15.91	17.11	1.20	16.04	17.24	1.20
Chicago, IL	14.27	15.88	1.61	13.01	15.44	2.43	14.23	16.35	2.12	14.36	16.35	1.99
Cincinnati, OH	14.98	15.58	0.60	13.72	15.24	1.52	14.94	16.84	1.90	15.07	16.82	1.75
Cleveland, OH	14.87	15.39	0.52	13.61	14.93	1.32	14.83	16.73	1.90	14.96	16.71	1.75
Dallas, TX	16.03	16.23	0.20	14.77	15.66	0.89	15.99	16.49	0.50	16.12	16.37	0.25
Denver, CO	15.60	16.31	0.71	14.34	14.49	0.15	15.56	15.71	0.15	15.69	15.84	0.15
Des Moines, IA	14.42	15.17	0.75	13.16	15.28	2.12	14.38	15.90	1.52	14.51	15.90	1.39
Detroit, MI	14.72	15.55	0.83	13.46	15.12	1.66	14.68	15.44	0.76	14.81	15.59	0.78
Hartford, CT	16.01	16.74	0.73	14.75	15.88	1.13	15.97	16.60	0.63	16.10*	16.73	0.63
Houston, TX	16.57	16.77	0.20	15.31	16.20	0.89	16.53	17.03	0.50	16.66	16.91	0.25
Indianapolis, IN	14.77	15.80	1.03	13.51	15.23	1.72	14.73	16.57	1.84	14.86	16.70	1.84
Kansas City, MO	14.79	15.34	0.55	13.53	15.30	1.77	14.75	16.22	1.47	14.88	16.22	1.34
Little Rock, AR	15.64	15.99	0.35	14.38	15.12	0.74	15.60	16.60	1.00	15.73	16.73	1.00
Louisville, KY	14.98	15.38	0.40	13.72	15.02	1.30	14.94	15.84	0.90	15.07	15.97	0.90
Miami, FL	17.05	18.57	1.52	15.79	19.26	3.47	17.01	19.88	2.87	17.14	19.56	2.42
Milwaukee, WI	14.18	15.79	1.61	12.92	15.35	2.43	14.14	16.26	2.12	14.27	16.26	1.99
Minneapolis, MN	14.07	14.82	0.75	12.81	14.90	2.09	14.03	15.49	1.46	14.16	15.49	1.33
New Orleans, LA	16.52	16.87	0.35	15.26	16.50	1.24	16.48	17.48	1.00	16.61	17.61	1.00
Oklahoma City, OK	15.64	15.81	0.17	14.38	15.27	0.89	15.60	16.60	1.00	15.73	16.48	0.75
Omaha, NE	14.62	15.37	0.75	13.36	15.13	1.77	14.58	16.05	1.47	14.71	16.05	1.34
Philadelphia, PA	15.96	16.66	0.70	14.70	15.70	1.00	15.92	17.34	1.42	16.05	17.47	1.42
Phoenix, AZ	15.39	15.39	0.00	14.13	14.13	0.00	15.35	15.35	0.00	15.48	15.48	0.00
Pittsburgh, PA	14.87	15.37	0.50	13.61	14.41	0.80	14.83	16.03	1.20	14.96	16.16	1.20
St. Louis, MO	14.88	15.99	1.11	13.62	16.04	2.42	14.84	16.83	1.99	14.97	16.83	1.86
Salt Lake City, UT	14.77	14.92	0.15	13.51	13.66	0.15	14.73	14.88	0.15	14.86	15.01	0.15
Seattle, WA	14.77	15.22	0.45	13.51	13.81	0.30	14.73	15.13	0.40	14.86	15.26	0.40
Spokane, WA	14.77	15.22	0.45	13.51	13.81	0.30	14.73	15.13	0.40	14.86	15.26	0.40
Springfield, MO	15.06	15.46	0.40	13.80	14.45	0.65	15.02	16.02	1.00	15.15	16.15	1.00
Washington, DC	15.90	16.65	0.75	14.64	15.69	1.05	15.86	17.31	1.45	15.99	17.44	1.45
Simple Average	15.30	15.96	0.66	14.04	15.41	1.37	15.26	16.46	1.20	15.39	16.51	1.12

*NOTE: The Northeast Dairy Compact has established a Class I price level of \$16.94 for the period July 1997 to date. The Compact obligation is \$16.94 less the Federal order Class I price shown for Boston. The effective Class I price level is the Federal order price at location plus the Compact obligation plus the figure shown under the column labeled "Difference".

1/ Class I prices announced for the beginning of the month by the major cooperative in each city market. These prices may not apply to all of the Class I sales in these city markets. Announced prices may not include handling or service charges applicable to milk from supply plants and competitive credits which may be allowed. These prices have not been verified as having been actually paid by handlers.

NONFAT DRY MILK													
CENTRAL - EXTRA AND GRADE A	1.1394	1.1491	1.1578	1.1440	1.0983	1.0788	1.0765	1.0718	1.0711	1.0691	1.0713	1.0740	1.1001
-- MOSTLY	1.1324	1.1424	1.1450	1.1324	1.0871	1.0750	1.0732	1.0626	1.0583	1.0550	1.0525	1.0525	1.0890
WEST - LOW/MEDIUM HEAT	1.1071	1.1175	1.1250	1.1064	1.0617	1.0523	1.0520	1.0493	1.0475	1.0475	1.0475	1.0436	1.0715
-- MOSTLY	1.1010	1.1237	1.1193	1.1011	1.0524	1.0450	1.0442	1.0435	1.0411	1.0400	1.0400	1.0373	1.0657
WEST - HIGH HEAT	1.1326	1.1437	1.1476	1.1534	1.1025	1.0765	1.0700	1.0694	1.0686	1.0695	1.0716	1.0695	1.0979
NORTHEAST - EXTRA & GRADE A	1.1836	1.1630	1.1664	1.1618	1.1357	1.1070	1.1000	1.0914	1.0950	1.0945	1.0900	1.0861	1.1229
SOUTHEAST - EXTRA & GRADE A	1.1915	1.1811	1.1800	1.1652	1.1243	1.0968	1.1059	1.0919	1.0812	1.0766	1.0775	1.0752	1.1206
DRY BUTTERMILK													
CENTRAL	0.9358	1.0032	1.0619	1.1148	1.1285	1.0745	1.0611	1.0625	1.0598	1.0070	0.9683	0.9599	1.0364
WEST	0.9018	0.9628	1.0560	1.1330	1.1108	1.0463	1.0414	1.0414	1.0314	0.9789	0.9407	0.9050	1.0125
-- MOSTLY	TFEWR	0.9750	1.0456	1.1107	1.1067	1.0367	1.0241	1.0205	1.0167	0.9713	0.9357	0.9098	TFEWR
NORTHEAST	0.9519	0.9896	1.0454	1.0920	1.1095	1.0774	1.0730	1.0700	1.0543	1.0456	1.0006	0.9766	1.0405
SOUTHEAST	0.9570	1.0167	1.0888	1.1486	1.1390	1.1140	1.1188	1.1107	1.1040	1.0641	1.0031	0.9755	1.0700
WHEY POWDER													
CENTRAL -	0.1920	0.2052	0.2113	0.1877	0.1805	0.1911	0.2163	0.2270	0.2500	0.3213	0.3275	0.3324	0.2369
-- MOSTLY	0.1858	0.2042	0.2114	0.1837	0.1755	0.1882	0.2147	0.2258	0.2486	0.3093	0.3205	0.3305	0.2332
NORTHEAST - EXTRA GRADE	0.1840	0.2022	0.2117	0.1859	0.1746	0.1861	0.2181	0.2293	0.2461	0.3193	0.3240	0.3265	0.2340
NORTHEAST - USPH GRADE A	0.1932	0.2046	0.2154	0.1896	0.1774	0.1879	0.2278	0.2425	0.2593	0.3338	0.3506	0.3547	0.2447
SOUTHEAST - EXTRA GRADE	0.2089	0.2252	0.2356	0.2060	0.1992	0.2096	0.2412	0.2542	0.2729	0.3516	0.3413	0.3515	0.2581
WEST -	0.1965	0.2062	0.2081	0.2048	0.1984	0.2033	0.2129	0.2209	0.2188	0.2664	0.2873	0.2882	0.2260
-- MOSTLY	0.1942	0.2025	0.2038	0.1993	0.1926	0.1984	0.2084	0.2147	0.2160	0.2626	0.2835	0.2900	0.2222
ANIMAL FEED													
CENTRAL - MILK REPLACER	0.1693	0.1905	0.1957	0.1688	0.1598	0.1711	0.1997	0.2084	0.2283	0.2939	0.3006	0.3035	0.2158
CENTRAL - STANDARD	0.1618	0.1854	0.1884	0.1576	0.1475	TFEWR	TFEWR	TFEWR	TFEWR	TFEWR	TFEWR	0.2936	TFEWR
CENTRAL - ROLLER GROUND	0.1918	0.2095	0.2205	0.1994	0.1836	0.1929	0.2215	0.2333	0.2454	0.3120	0.3256	0.3245	0.2383
CENTRAL - DELACTOSE	0.3533	0.3711	0.3731	0.3505	0.3355	0.3376	0.3459	0.3475	0.3473	0.3461	0.3518	0.3527	0.3510
NORTHEAST - MILK REPLACER	TFEWR	TFEWR	TFEWR	TFEWR	0.1650	0.1733	0.1968	0.2100	TFEWR	TFEWR	TFEWR	TFEWR	TFEWR
LACTOSE													
CENTRAL AND WEST	0.2321	0.2350	0.2357	0.2582	0.2600	0.2507	0.2400	0.2400	0.2345	0.2200	0.2200	0.2200	0.2372
-- MOSTLY	0.2383	0.2412	0.2451	0.2600	0.2589	0.2537	0.2347	0.2307	0.2271	0.2103	0.2100	0.2127	0.2352
WHEY PROTEIN CONCENTRATE													
CENTRAL AND WEST	0.5845	0.6124	0.6232	0.5958	0.5729	0.5802	0.6145	0.6236	0.6061	0.5828	0.5928	0.6005	0.5991
-- MOSTLY	0.5883	0.6136	0.6215	0.5977	0.5727	0.5846	0.6151	0.6268	0.6085	0.5915	0.6006	0.6072	0.6023
DRY WHOLE MILK													
F.O.B. PRODUCING PLANT	1.2124	1.2661	1.2764	1.2800	1.2079	1.2065	1.2086	1.2350	1.2758	1.3130	1.4250	1.3784	1.2738
CASEIN REVIEW													
ACID	2.2000	2.1816	2.1686	2.1380	2.1083	2.1000	2.0568	2.0500	2.0500	2.0500	2.0500	2.0500	2.1003
RENNET	2.4100	2.3916	2.3814	2.3093	2.3050	2.3019	2.2400	2.2400	2.2386	2.2250	2.2153	2.2100	2.2890

* Annual averages are a simple average of the twelve monthly averages.

**MAILBOX MILK PRICES FOR SELECTED FEDERAL MILK ORDERS,
OCTOBER 1997, WITH COMPARISONS**

In October 1997, mailbox milk prices reported for selected Federal milk orders averaged \$13.81 per cwt., \$1.08 more than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$13.77, up \$1.03; Southeast, \$14.98, up \$1.42; Midwest, \$13.85, up \$.98 and West, \$13.16, up \$1.18. Note, beginning in October data for the Tennessee Valley order no longer are available; this order has been terminated. Compared to October 1996, mailbox milk prices decreased \$1.98 per cwt. on the average. Regional changes from the previous year were: -\$1.99 in the Northeast, -\$2.73 in the Southeast, -\$1.84 in the Midwest, and -\$1.96 in the West. The average minimum blend price in October 1997 was \$2.05 below the price in the previous year.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	October 1996	September 1997	October 1997
	<u>Dollars per hundredweight</u>		
New England	15.83	13.43 <u>3/</u>	14.13 <u>3/</u>
New York-New Jersey	15.68	12.51	13.56
Middle Atlantic	15.84	12.46	13.87
Northeast Average <u>4/</u>	15.76	12.74	13.77
Carolina	17.95	13.29	14.76
Tennessee Valley <u>1/</u>	17.05	13.04	---
Southeast	16.94	12.82	14.24
Florida <u>5/</u>	19.34	15.66	16.71
Southeast Average <u>4/</u>	17.71	13.56	14.98
Southern Michigan	15.77	12.44	13.57
Eastern Ohio-Western Pa.	15.88	12.46	13.57
Ohio Valley	16.11	12.25	13.70
Indiana	16.08	12.29	13.62
Chicago Regional	15.72	13.53	14.11
S. Illinois-E. Missouri	15.77	12.10	13.56
Louis.-Lex.-Evans.	16.48	12.49	13.73
Upper Midwest	15.32	13.30	13.95
Nebraska-Western Iowa	15.45	12.73	13.68
Iowa	15.59	13.00	13.86
Midwest Average <u>4/</u>	15.69	12.87	13.85
Texas	15.87	12.07	13.62
Southwest Plains	15.19	11.82	12.99
Eastern Colorado	15.64	12.23	13.11
S.W. Idaho-E. Oregon	14.29	12.14	12.81
Great Basin	14.55	11.88	12.45
New Mexico-West Texas	14.48	11.69	12.86
Pacific Northwest	15.14	11.99	13.27
West Average <u>4/</u>	15.12	11.98	13.16
All-Market Average <u>4/</u>	15.79	12.73	13.81

1/ Federal milk orders for which information could be released; the Tennessee Valley order was terminated 10/1/97. 2/ Net pay price received by dairy farmers marketing milk to handlers regulated under the Federal milk orders. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is reported at the market average butterfat test. Also, for some orders, price is a weighted average for all pricing zones in the order. 3/ Includes Northeast Dairy Compact Over Order Producer Price. 4/ Weighted average of the information for the orders listed in the region or for all selected orders combined. 5/ Weighted average of the information for the Upper Florida, Tampa Bay, and Southeastern Florida orders.

NOVEMBER MILK SALES HIGHLIGHTS

During November, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.5 percent above the previous year and 1.4 percent above October 1997 on an adjusted daily average basis. Sales of whole milk items were 0.1 percent above the previous year; sales of lowfat and skim milk items were 0.4 percent above the previous year. Total fluid milk sales were lower in the Northeast region, unchanged in the Southeastern region, and higher in all other regions.

**SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, LOWFAT AND SKIM MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER
MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, NOVEMBER 1997, WITH COMPARISONS 1/**

Region 4/	Whole Milk Items 2/				Lowfat and Skim Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	Nov	Year to date	Prev. year 5/	Year to date 5/	Nov	Year to date	Prev. year 5/	Year to date 5/	Nov	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	345	3,827	-0.7	-2.1	445	4,929	-0.4	-0.1	791	8,756	-0.4	-1.0
Southeastern	324	3,690	-0.9	0.7	429	4,798	0.4	0.8	753	8,488	0	0.7
Midwest	257	2,841	1.7	-0.7	929	10,245	0.2	0	1,185	13,085	0.8	-0.1
Southwest	162	1,839	-0.1	-1.6	204	2,248	0.3	0.3	366	4,087	0.3	-0.6
Far West	327	3,670	1.0	-1.3	672	7,472	1.0	1.4	999	11,141	1.3	0.5
All Areas Combined	1,415	15,867	0.1	-1.0	2,678	29,691	0.4	0.5	4,093	45,558	0.5	0

1/ These figures are representative of the consumption of fluid milk products in comparable Federal milk order marketing areas and California, and represents approximately 90 percent of total fluid milk sales in the U.S. 2/ Whole milk items include plain, flavored, and miscellaneous whole milk products. 3/ Lowfat and skim milk items include plain, solids added, flavored, and miscellaneous lowfat and skim milk products, and buttermilk. 4/ For the marketing areas included in each region, see DMN Vol. 64, report #13. Southeastern excludes Tennessee Valley. Far West includes California. 5/ Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. See DMN Vol. 59, report #13.

**PACKAGED SALES OF FLUID MILK PRODUCTS IN ALL MARKETING AREAS DEFINED BY FEDERAL MILK
ORDERS AND CALIFORNIA, OCTOBER 1997, WITH COMPARISONS 1/**

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil.lbs	Percent	
Whole milk 2/	1,494	-1.9	-1.1
2% Lowfat Milk	1,387	-1.7	-2.2
1% Lowfat Milk 3/	695	1.7	3.8
Skim Milk	724	3.6	3.8
Buttermilk	51	-0.4	-2.5
Total Fluid Milk Products 4/	4,364	-0.5	-0.1

1/ These sales volumes and percent changes include preliminary data for the New York-New Jersey milk order marketing area and the California State milk order. However, data for the Black Hills market, which was terminated October 1, 1996, and data for the Tennessee Valley market, which was terminated October 1, 1997, are excluded. Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. 2/ Includes flavored whole milk. 3/ Includes flavored lowfat and skim milk. 4/ Includes miscellaneous products.

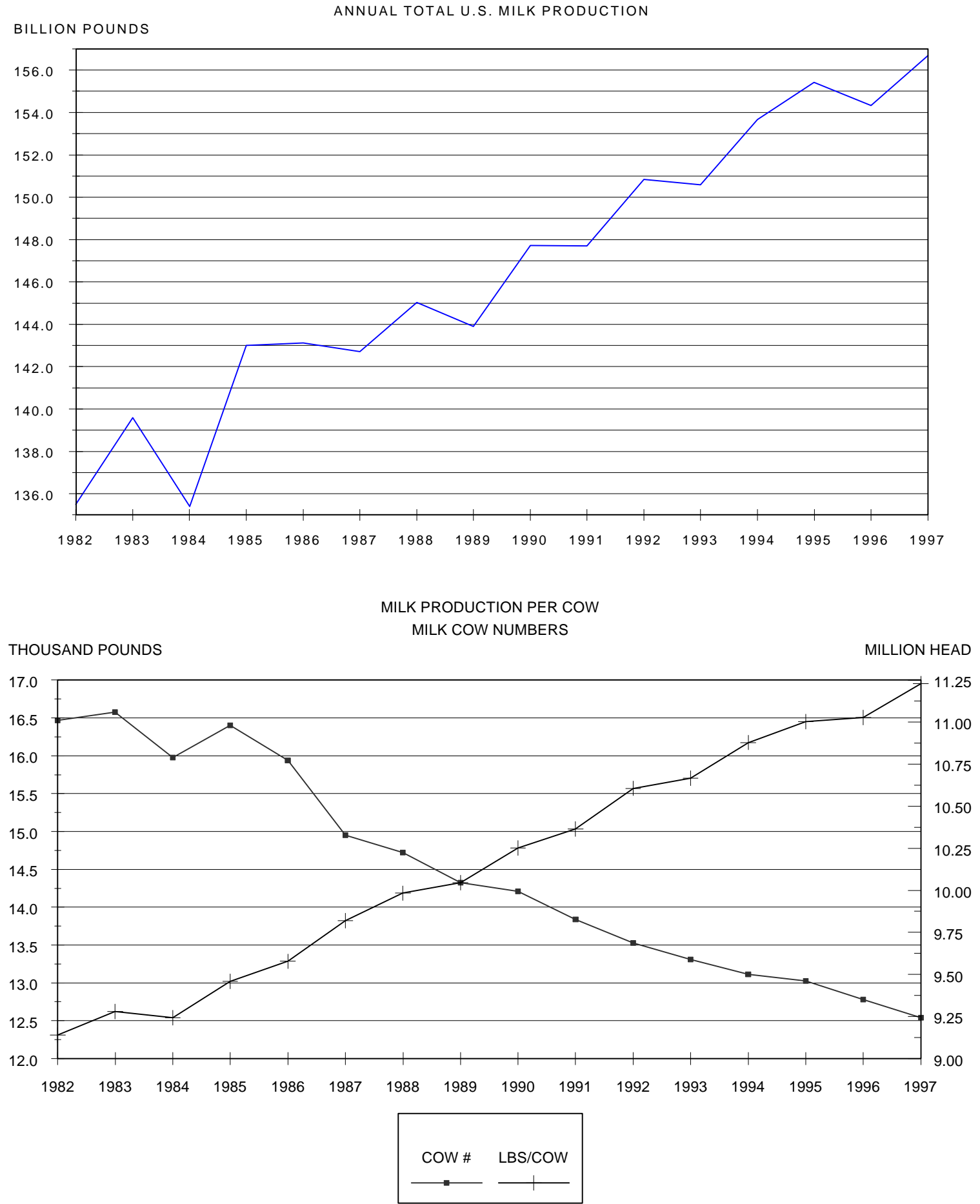
DECEMBER MILK PRODUCTION

Milk production in the 20 major states during December totaled 11.1 billion pounds, up 0.9 percent from production in these same states in December 1996. November revised production, at 10.6 billion pounds, was up 1.0 percent from November 1996. Production per cow in the 20 major states averaged 1,440 pounds for December, 22 pounds above December 1996. The number of cows on farms in the 20 major states was 7.72 million head, 46,000 head below December 1996 and 2,000 head below November 1997. The October-December quarterly production of milk for the U.S. was 38.2 billion pounds, up 0.7 percent from the October-December period in 1996. The average number of milk cows in the U.S. during October-December quarter was 9.20 million head, 98,000 head less than the same period last year.

STATE	MILK COWS <u>1/</u> <u>2/</u>				MILK PRODUCTION <u>1/</u> <u>3/</u>			
	DECEMBER		OCTOBER-DECEMBER		DECEMBER		OCTOBER-DECEMBER	
	1996	1997	1996	1997	1997	% CHANGE FROM 1996	1997	% CHANGE FROM 1996
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	—	—	31	29	—	—	99	-3.9
AK	—	—	0.8	0.9	—	—	3.8	8.0
AZ	122	126	122	126	222	-1.8	630	0.0
AR	--	--	56	55	--	--	162	-1.8
CA	1,270	1,326	1,269	1,320	2,347	6.2	6,963	5.7
CO	--	--	84	84	--	--	399	-3.4
CT	--	--	29	30	--	--	129	9.3
DE	--	--	9.5	11	--	--	44	32.9
FL	158	160	157	159	218	-1.8	584	-2.0
GA	--	--	98	96	--	--	363	-1.9
HI	--	--	9.5	8.8	--	--	27.8	-4.5
ID	267	280	266	280	445	8.8	1,328	8.0
IL	150	145	151	145	190	2.2	558	0.2
IN	140	140	140	140	186	2.2	544	1.7
IA	250	240	250	242	341	3.0	999	3.4
KS	--	--	81	80	--	--	310	0.0
KY	150	140	151	141	142	-9.0	421	-8.1
LA	--	--	78	76	--	--	184	-10.2
ME	--	--	39	39	--	--	162	2.5
MD	--	--	85	86	--	--	330	2.8
MA	--	--	26	25	--	--	105	-1.9
MI	312	299	314	301	440	-2.4	1,305	-1.9
MN	595	575	595	575	776	-2.6	2,222	-3.4
MS	--	--	49	44	--	--	144	-10.6
MO	175	165	175	167	183	-7.6	543	-5.4
MT	--	--	20	18	--	--	70	-9.1
NE	--	--	69	69	--	--	273	3.4
NV	--	--	26	26	--	--	122	-0.8
NH	--	--	18	19	--	--	82	7.9
NJ	--	--	21	21	--	--	72	1.4
NM	197	208	196	206	339	4.6	1,003	7.3
NY	700	700	701	699	952	1.5	2,798	1.5
NC	--	--	79	75	--	--	306	-2.2
ND	--	--	61	49	--	--	159	-13.6
OH	285	272	285	274	359	-1.6	1,059	-0.4
OK	--	--	95	95	--	--	310	3.3
OR	--	--	92	92	--	--	390	0.5
PA	643	638	643	639	893	1.7	2,650	2.4
RI	--	--	1.9	2	--	--	7.7	-1.3
SC	--	--	26	25	--	--	94	-3.1
SD	--	--	110	102	--	--	338	-4.0
TN	--	--	114	108	--	--	378	-5.7
TX	390	385	393	386	466	-9.9	1,344	-8.0
UT	--	--	90	89	--	--	368	-5.9
VT	156	156	155	156	220	2.3	644	2.1
VA	125	120	126	120	158	1.9	463	2.2
WA	266	260	266	261	429	-1.6	1,278	-2.3
WV	--	--	19	18	--	--	68	13.3
WI	1,414	1,384	1,421	1,386	1,806	-0.6	5,364	-0.4
WY	--	--	6	5.7	--	--	18.2	-15.7
22 STATE TOTAL	7,765	7,719	—	--	11,112	0.9	--	--
U.S. <u>4/</u> <u>5/</u>	--	--	9,300	9,202	—	—	38,219	0.7

1/ Preliminary. 2/ Includes dry cows, excludes heifers not yet fresh. 3/ Excludes milk sucked by calves. 4/ Includes states for which individual monthly estimates are not available. 5/ Milk cows will not add due to rounding.

SOURCE: "Milk Production," Da 1-1 (1-98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.



CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF OF JANUARY 12 - 16, 1998			CUMULATIVE TOTALS			UNCOMMITTED INVENTORIES		
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD		
	PURCHASES	ADJUSTMENTS	PURCHASES	10/09/97	LAST YEAR	01/09/98	LAST YEAR		
BUTTER									
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE									
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK									
Nonfortified	4,405,010	639,326	3,765,684*	14,122,144	-0-	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	4,405,010	639,326	3,765,684	14,122,144	-0-	-0-	-0-	-0-	-0-

*Includes both pre and post 1/1/98 powder.

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF JANUARY 12 - 16, 1998 =	0.8	43.8	COMPARABLE WEEK IN 1997 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 1997 =	3.1	164.4	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JANUARY 1 - 16, 1998 =	1.4	73.0	COMPARABLE CALENDAR YEAR 1997 =	0.0	0.0

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

	CCC ADJUSTED PURCHASES SINCE 10/1/97 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL									
	BUTTER	CHEESE	NONFAT DRY MILK	MILK EQUIVALENT						
REGION	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0	0.0	0.0
WEST	-0-	-0-	-0-	-0-	14,011,969	-0-	99.2	0.0	0.0	0.0
EAST	-0-	-0-	-0-	-0-	110,175	-0-	0.8	0.0	0.0	0.0
TOTAL	-0-	-0-	-0-	-0-	14,122,144	-0-	100.0	0.0	0.0	0.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1998MANUFACTURING MILK: Average Test 3.67% - \$10.05 per cwt.; 3.5% - \$9.95DOLLARS PER POUNDBUTTER: Bulk \$.6500; 1# Prints \$.6800CHEESE: 40 & 60# Blocks \$1.1150; 500# Barrels \$1.0850; Process American 5# \$1.1675; Process American 2# \$1.2075NONFAT DRY MILK: Nonfortified \$1.0280; Fortified \$1.0380; Instant \$1.1855Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 12/27/97 & Comparable Week 1996 (1/ 2/)

Regions*											: U.S. TOTAL		: % DAIRY OF ALL		
											WEEK :SINCE JAN 1:	WEEK : SINCE JAN 1			
1997-Dairy cows	HD (000)	: 0.2	1.1	---	7.3	18.7	2.0	2.8	0.5	8.3	1.9	42.9	2,848.3	45.1	45.6
1996-Dairy cows	HD (000)	: 0.3	1.0	---	8.3	20.8	1.4	2.4	0.6	7.0	1.3	43.0	2,950.5	42.7	42.8
1997-All cows	HD (000)	: 0.2	1.1	---	16.8	27.7	11.2	16.9	5.1	10.0	5.9	95.1	6,251.9		
1996-All cows	HD (000)	: 0.3	1.0	---	17.4	28.4	11.0	18.7	9.0	9.2	5.8	100.7	6,889.9	**REGION 3 & 4 COMBINED**	

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE INVITATIONS (POUNDS) 01/09/98

PROCESS	MARCH DELIVERY	APRIL DELIVERY	MAY DELIVERY	JUNE DELIVERY
PROCESS 2# LOAF	475,200	475,200	435,600	396,000
PROCESS 5# LOAF	1,346,400	316,800	39,600	237,600
PROCESS SLICED	1,980,000	594,000	396,000	396,000
MOZZARELLA				
MOZZARELLA	1,451,520	362,880		
MOZZARELLA LITE	161,280			
MOZZARELLA LITE SHRED	1,048,320			
CHEDDAR				
BLOCKS	39,950			
CUTS	39,950			
REDUCED FAT CUTS	159,801			
REDUCED FAT SHRED	345,600			

OFFERS ARE DUE JANUARY 20. PUBLIC RELEASE OF AWARDS
WILL BE AT 4:00 P.M. CST JANUARY 23.

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/97 = 30,845,354

CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/97 = 85,979

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29